Hong Kong Urged To Cut Profits Tax

By Mary Swire, LawAndTax-News.com, Hong Kong
Friday, January 28, 2011

In its recommendations for Hong Kong's 2011-12 Budget, the Hong Kong Chamber of Commerce (HKGCC) sees the government's fiscal priorities as the establishment of an effective tax rate, together with support to small and medium-sized enterprises (SMEs).

In its submission to the Financial Secretary, the HKGCC has highlighted that Hong Kong has been losing its competitive edge over regional competitors, with the World Bank rating Hong Kong's effective profits tax rate as no better than 6th among 15 East Asian economies. Among other factors, the HKGCC emphasizes that the lack of group loss relief and loss carry-back raises the effective tax rate.

As for the headline tax rate, the HKGCC reiterates that it is now time for the Hong Kong's Chief Executive to fulfil the campaign pledge to reduce the profits tax rate to 15% as part of the efforts to re-establish Hong Kong's role as the pre-eminent regional operating centre for the Asia-Pacific.

Other HKGCC proposals for sharpening the territory's competitiveness include simplifying compliance to attract global trading operations; allowing tax depreciation for capital equipment used outside Hong Kong; relaxing interest deductibility on loans from overseas associates; and amending tax rules to facilitate the transfer by multinationals of employees to Hong Kong.

HK's Accountants propose Budgetary Tax Incentives

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, February 01, 2011

The Hong Kong Institute of Certified Public Accountants (HKICPA) has released its proposals for Hong Kong's 2011/12 Budget, concentrating on certain adjustments to the tax system and on a broadening of the tax base.

The HKICPA says that, this year, it is not proposing any specific, one-off tax reliefs. However, given Hong Kong's "basically healthy fiscal situation", it believes that there is now scope to, for example, address Hong Kong's ageing population and community needs.

With regard to the corporate sector, the HKICPA proposes an additional tax measure to support small companies with gross income that does not exceed HK$2m, in that their corporate profits tax rate should be reduced from 16.5% to 15%. It is said that this measure would enable smaller businesses that chose to operate through a corporate structure, to enjoy the same tax rate as unincorporated businesses.

It points out that a study on Hong Kong's long-term tax competitiveness could also be beneficial. This would include an international comparison with the corporate tax rates in other jurisdictions, looking particularly at effective rates after incentives. It also states that when companies assess the viability of setting up a business in Hong Kong, our overall effective tax rate may be less attractive than jurisdictions that offer a range of tax incentives.

To promote Hong Kong further as a hub for financial services, the HKICPA recommends that the government should extend the rules relating to the exemption from profits tax for qualified offshore funds, and introduce exemptions for onshore funds that meet specific criteria; while, as a base for regional operations, it should grant a 10% concessionary rate of profits tax for regional offices in Hong Kong, and should exempt interest received by regional offices (except for financial institutions) on loans made to overseas associates.

Hong Kong Introduces One-Stop Company Registration

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, February 08, 2011

With effect from February 21, 2011, Hong Kong's Companies Registry (Registry) and the Inland Revenue Department (IRD) will jointly launch a new regime of one-stop company and business registration, together with a one-stop notification of change of company particulars.

Under the new regime, the Registry will process the simultaneous business registration applications and notify IRD of changes of the relevant company particulars.

The new registration regime applies to both paper and electronic applications. Upon the approval of the application, the Registry will issue a Certificate of Incorporation together with a Business Registration Certificate to the applicant.

China Now Second-Biggest Economy

by RTHK English News, Hong Kong
Tuesday, February 15, 2011

Figures released by Tokyo have confirmed that China has overtaken Japan as the world's second-biggest economy. Japans economy grew 3.9 percent in 2010, government data showed, but with a nominal GDP of US$5.474 trillion it fell behind rapidly growing China at US$5.879 trillion.

Japan's gross domestic product shrank 0.3 percent in October-December from the previous quarter, slightly less than a 0.5 percent fall expected by markets, marking the first contraction in five quarters. That translated into an annualized contraction of 1.1 percent, far worse than U.S. growth of 3.2 percent in the same quarter.

Analysts have predicted that China's economy will be roughly the same size as that of the United States within a decade.

Foreign Investment in China Jumps

by RTHK English News, Hong Kong
Friday, February 18, 2011

Figures show foreign companies invested just over US10-billion on the mainland in January – an increase of 23 percent on same month last year, and a faster growth rate than that of December. Analysts say the influx of money has made it more difficult for the government to deal with rising living cost. The investment went into industries such as manufacturing, real estate, services and agriculture.

HSBC seeks to add 1,000 to payroll

by Karen Ha, The Standard, Hong Kong
Monday, February 21, 2011

HSBC (0005) is aiming to hire 1,000 more employees for its personal financial services department.

And 10,000 staff are due for promotions this year.

A spokesman said the additional employees will staff the front and back offices.

During the last financial crisis, the bank laid off as many as 600 employees. But in 2009 it held a series of large recruitment exercises to build up its employee strength.

Look at forex rules before yuan leap, cautions securities chief

by Bonnie Chen, The Standard, Hong Kong
Monday, February 21, 2011

Those planning to invest in yuan-denominated products need to bear in mind the restrictions that come with a currency that is not freely convertible, Securities and Futures Commission chairman Eddy Fong China says.

Apart from the currency restrictions, Fong told Sing Tao Daily, sister paper of the Standard, yuan-denominated products are no different from other investment products.

But with deals capped at 20,000 yuan (HK$23,684) each day, investors may be deterred from cashing in their investments immediately.

He said the Hong Kong Monetary Authority will carry out exhaustive trial runs with brokers before introducing yuan-denominated equities.

To step up protection for investors, Fong said the regulator will ensure the quality of initial public offering sponsors by employing more staff to carry out due diligence.

Hong Kong Proposes New Credit Rating Regulations

By Mary Swire, Tax-News.com, Hong Kong
Tuesday, February 22, 2011

There is to be a new type of regulated activity - the provision of credit rating services - added to the Securities and Futures Ordinance (SFO) in order to create a regulatory regime for credit rating agencies operating in Hong Kong.

Under the regulatory regime, both corporate credit rating agencies in Hong Kong and their individual rating analysts will need to be licensed and be subject to the general obligations which are common to all persons licensed or registered under SFO. The relevant amendment notice and rules have been published in the Government Gazette.

The amendment notice seeks to add providing credit rating services as a new type of regulated activity, while the Securities and Futures Commission (SFC) will publish a new code of conduct to help ensure that the credit ratings are independent, objective and of appropriate quality.

Hong Kong Consults On Expanding Specified Stock Exchange List

By Mary Swire, Tax-News.com, Hong Kong
Wednesday, February 23, 2011

Hong Kong's Securities and Futures Commission (SFC) has begun a two-month public consultation on proposals to expand the lists of "specified" local and overseas stock and futures exchanges.

In connection with the Securities & Futures Ordinance, and subsidiary legislation made under it, exchanges in the lists are given the "specified" status for certain purposes relating to licensing, recognised counterparty status, disclosure of interests and price stabilizing.

With regard to the Inland Revenue Ordinance, the SFC has been made aware that adding certain Brazilian, Indian and Chinese exchanges to the lists would facilitate the development of Hong Kong as an international finance centre in general and an asset management centre in particular, by expanding the scope of tax exemptions available to offshore funds engaged in futures trading.

Fastest HK economic growth since 2006

by RTHK English News, Hong Kong
Thursday, February 24, 2011

Hong Kong's economy expanded at its fastest pace since 2006. Economic growth for the whole of last year rebounded 6.8 percent-up from a revised contraction of 2.7 percent in 2009. The latest figure was higher than the government had expected. And its predicting a moderation in growth this year – putting its forecast at between four and five percent.